

DARTMOUTH COLLEGE
Department of Economics

Economics 26:
The Economics of
Financial Intermediaries and Markets

Professor Jonathan Zinman
Spring 2008

SYLLABUS

PREREQUISITE: Econ 1.

TEXT: Meir Kohn, *Financial Institutions and Markets*, 2e, Oxford University Press, 2004. (Available from Wheelock Books)

IF YOU WANT TO DO FURTHER READING: *The Wall Street Journal* and financial periodicals such as *Business Week* and *The Economist*.

COURSE FORMAT: In advance of each class, you should read the appropriate chapter or chapters and complete the corresponding assignment (see below). At the beginning of each class, I will address any questions you may have on the chapter. I will then randomly call on students by name to present their answers to the assigned questions. The quality of your answers and of your general contribution to class discussion will contribute significantly to your grade (see Grading, below). If you are called upon and not in attendance or pre-excused you will receive a zero for the day. You may be excused from class occasionally, with my permission, by notifying me in advance with a legitimate excuse.

ASSIGNMENTS: You will find the assignments on Blackboard: go to <http://blackboard.dartmouth.edu/>; log in (if you are not yet enrolled see below**); under 'my courses' click on Ec 026; click on 'Assignments' on the left, assignments are arranged by chapter; click on the appropriate assignment and it should open as a Word document). Any problems, please email Kory Hirak.

Many of the assignments require you to read items from the financial press. These items may be accessed directly through the online library* (go to <http://libcat.dartmouth.edu/>; click on 'Course Reserves in the purple bar at top right; click 'By Course Name'; enter Econ 026; click 'Search'; items are listed more or less alphabetically by title; or you can search for the item you want by number using your browser's "Find" function—command-F on Mac)

*Info on using this service: <http://www.dartmouth.edu/~libcirc/ereserves/intro.shtml>. Any problems, contact Baker.Reserve.Desk@dartmouth.edu

**If you are not yet enrolled, log in as guest; click on the 'Courses' tab; in Course Search, enter 'econ 026' and click on 'go'; then proceed as above)

GRADING:

Class discussion: 30%

Midterm: 25%

Final: 45%.

Exams are generally multiple choice and short-answer format. Exams must be taken as scheduled, except in case of **documented** illness or family emergency. I grade participation based on both quantity and quality of cold-called and voluntary responses in class.

OFFICE HOURS, in 314 Rockefeller: by appointment (please Blitz me with “ec26 meet?” in the subject line).

BLITZ PROTOCOL: I do not correspond directly with any of 70 or so individuals enrolled in Ec 26 in a given term. I you Blitz me in advance with a legitimate excuse; you can presume you are excused from class unless you hear from me otherwise. If you Blitz me with a correction, point of clarification, or question that makes a useful point, I will email the Ec 26 mailing list through Blackboard or address it in class (without attributing you). If you Blitz me with a question that could be answered through careful perusal of the textbook, the syllabus, the Internet, or some other readily available source, I will not address your question.

HONOR PRINCIPLE: Many students have taken this course in the past. Using or even reading their answers to the assignments is a violation of the Dartmouth Honor Principle (it is also self-defeating, since working through the assignments is the way to learn the material.) You may bring to the Midterm one letter-sized sheet of paper with anything you wish written on it. You may bring two such sheets to the Final. Double-sided is o.k.

DISABILITIES: Any student with a documented disability needing academic adjustments or accommodations is requested to speak to me and give me a copy of your accommodations form by the end of the second week of the term. All discussions will remain confidential, although the Director of Student Disabilities may be consulted if questions arise.

RELIGIOUS OBSERVANCE: I realize that some students may wish to take part in religious observances that fall during this academic term. Should you have a religious observance that conflicts with your participation in the course, please come speak with me before the end of the second week of the term to discuss appropriate accommodations.

STUDY GROUPS: You are strongly encouraged to work in an informal (self-organized) study group to prepare the assignments.

Also, the Academic Skills Center organizes study groups for this course.

What Is a Study Group?

A study group is a small group of students who meet together regularly once a week with the aid of a trained tutor to discuss concepts, confusions and insights into course material. Study groups are not only for students having trouble in the course: students of all abilities can benefit from them. Each group is unique, contains students with different backgrounds and abilities, and determines its own pace and the material that will be covered. This allows each group to address the needs of the individuals in the group.

In general, students review class notes and the assigned reading, attempt the current problem set, and jot down points that are unclear or questions they would like to discuss **before** coming to the study group. In the study group, the tutor helps the students to get organized and to decide which questions are most basic or important and encourages the students to work together and to answer their own questions. The tutor is an additional resource who encourages the students to understand the process behind finding an answer rather than simply supplying the answer. In fact, a tutor should be referred to only after the students have discussed and attempted to answer questions themselves. The main role of the study group is to help students organize their thoughts, test their understanding by asking and answering questions, learn how to approach the material, and understand the basic concepts involved. In addition, students have often commented that they enjoy the subject more, are relieved to find that other students also have problems with the material, and study more when they participate in a group.

Information about how to sign up will be distributed in class during the second week of classes. (Contact Holly Potter by Blitzmail or at X6-2014 for additional information.)

TUTORS

The Tutor Clearinghouse will have private, one-on-one tutors available for this class. For details, see the Academic Skills Center, 301 Collis.

SCHEDULING, NOT SCHEMDULING: Note the exam dates and times below. By enrolling in Ec 26 you are committing to take the exams on those dates and at those times. I do not reschedule exams or offer alternative dates/times to accommodate conflicts.

COURSE SCHEDULE

3/26	Introductory lecture: <i>only class where you need not prepare!</i>
3/28	Ch. 1: Lending, payments, and risk-trading Ch. 2: The technology of the financial system
3/31	Ch. 3: Efficiency, stability, & government
4/2	Ch. 4: Interest rates, exchange rates, & security prices
4/4	Ch. 5: Understanding financial intermediaries
4/7	Ch. 6: What is a bank?
4/9	Ch. 7: The banking industry
4/11	Ch. 8: Payments and foreign exchange
4/14	Ch. 9: Insurance
4/16	Ch. 10: Pension funds and mutual funds
4/18	No class
4/21	Ch. 11: Understanding securities markets
4/23	Ch. 12: The market for government securities
4/25	MIDTERM
4/28	Ch. 13 The mortgage market
4/30	Ch. 14 Debt markets
5/2	Ch. 14 Debt markets (cont.)
5/5	Ch. 15 Equity markets
5/7	Ch. 15 Equity markets (cont.)
5/9	Ch. 16 Derivatives
5/12	Ch. 16: Derivatives (cont.)
5/14	Ch. 17: Exchanges, trading systems, and infrastructure
5/16	Green Key: no class
5/19	Ch. 18: Managing liquidity and risk
5/21	Ch. 18: Managing liquidity and risk (cont.)
5/23	Ch. 19: Bank safety and regulation

5/26	Memorial Day: no class
5/28	Ch. 20: Security markets stability and regulation
5/30	No class
6/2	FINAL, 3pm